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ETHICS AND POLICY ANALYSIS

Charles Wolf, Jr.

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"I learn a good deal by merely observing you,
And letting you talk as long as you please,
And taking note of what you do not say."

T.S. Eliot, *The Cocktail Party*

I. CLARIFYING THE QUESTIONS

In discussions of ethics and policy analysis, two questions are important to distinguish. They are often confused.

One question concerns the fundamental ethical assumption that underlies policy analysis, is taken for granted by the institutions that sponsor the analyses, and accepted (usually without examination) by the people who perform them. This cardinal assumption is that it is "better"--socially and individually, in general and in the long run--for society and its members to analyze systematically major issues of public policy: applying systematic and scientific methods to that analysis; subjecting the policy issues in question to an exacting process of compiling data, dissecting them, and trying to explain the relationships among the data; and attempting to predict (or "model") the consequences that will ensue from various possible policies, programs, or actions (or deliberate inactions) that may be chosen.

I refer to this as a fundamental ethical assumption for two obvious reasons: (1) it is "ethical" because it relates to what is judged

* This paper, an outgrowth of remarks I made at a conference on this subject organized by the Hastings Center, Institute of Society, Ethics and the Life Sciences, in February 1979, has been prepared for a book entitled *The Moral Obligations of Public Officials* being edited by Professors Joel Fleishman of Duke University and Mark Moore of Harvard.

or presumed to be "better" for society and its members; and (2) it is usually assumed rather than formally tested (although I would argue that there is a good deal of evidence to support it). It is worth noting that this assumption is not universally shared. It does not characterize other approaches to policy issues that are practiced and advocated.

What are some of these alternative approaches? They include reliance on intuition, or on revelation, or scripture, or the Koran, or Das Kapital, or reliance on an oracular figure of some sort (wiseman, soothsayer, shaman, or dictator), or on discussion and bargaining among competing groups or interests to achieve consensus or, failing that, to arrive at compromises (again, without analysis as an important part of the process).

The second ethical question concerns the choice of appropriate values, objectives, goals, and constraints to be adopted in specific policy studies. Expressed in more formal language, what should be the arguments in the utility function that is to be maximized? What should be the study's maximand? For example, should the appropriate goal or objective of a program or policy be to maximize total income (ignoring distributional consequences), or rather to maximize the income gains or the opportunities of a particular group (for example, the poor, the aged, minorities, etc.), or to maximize a particular type of benefit (e.g., say, housing, or education, or nutrition, or clean air) for all, or for a particular group?

The observations I will make deal primarily with the second question. While this seems to me the more important and more constructive focus, this point of view can be challenged. Indeed, many people who regard themselves as professional ethicists and philosophers

have the first question in mind when they address the subject of ethics in relation to policy analysis. To them, I have little to add to what seems to me a fairly sterile debate on whether or not it is "good" or "right" to analyze issues scientifically. I think the progress of civilization has been helped by extending the uses and reaches of systematic and scientific inquiry, rather than by restricting it. To be "cool and calculating" seems to me preferable to being "heated and emotional."

II. SHORTCOMINGS AND IMPROVEMENTS

I think it is probably fair to criticize most policy analysis for defining too narrowly the objectives and constraints that are employed. Often the "values" (objectives, goals), in terms of which the predicted outcomes of alternative policies or programs are to be judged, have been chosen because they are convenient for the analysis and the analysts. These are not necessarily the objectives that are most appropriate or realistic, in the sense that they would be chosen or accepted by the public or by the constituencies on whom the policies or programs will impinge.

For example, the objective may be to maximize an income objective, or an educational or a health objective (with the latter typically expressed in terms of some convenient intermediate or proxy measure, rather than in terms of educational or health outcome), for given dollar costs; or, alternatively, to minimize the dollar costs of achieving a satisfactory level of performance with respect to specific objectives so defined. Considerations of "justice" or "equity"--what particular

groups benefit, and what groups pay, rather than how much are the total benefits and costs--are usually excluded, although not always.*

It is even rarer, if indeed there are any precedents whatsoever, to find that the analysis includes consideration of such looser and still more elusive values as beauty, honor, and dignity among the objectives to be maximized, or the constraints to be adhered to in evaluating policy alternatives.

Even in those rare cases when distributional issues are considered, and attention is devoted to "justice" and "equity," inadequate attention is likely to be given to the wide range of standards that may be invoked for judging equity. Consider, for example, the differences, complexities, and ambiguities that result from interpreting equity according to various criteria: for example, equity in the sense of equality of opportunity; or equity in the sense of equality of outcome; equity in the Rawlsian sense;** or in the Kantian sense; or in the Marxian sense ("from each according to ability, to each according to need"); or in the sense of the Old Testament; or in the sense of the New Testament; and so on.

* For two significant counter-examples, see Charles Phelps et al., "Efficient Water Use in California: Executive Summary," The Rand Corporation, R-2385-CSA/RF (forthcoming), and Adele Palmer et al., "Chlorofluorocarbon Emissions from Nonaerosol Applications," The Rand Corporation, R-2575-EPA, February 1980.

** "All social primary goods--liberty and opportunity, income and wealth, and the bases of self-respect--are to be distributed equally unless an unequal distribution ... is to the advantage of the least favored." See John Rawls, A Theory of Justice, 1971, p. 303.

Of course, observing that policy studies should give more attention to matters of equity, rather than focusing exclusively on efficiency, is only a part of the problem; and it is the easy part. The challenging and difficult part is how to do it: how to translate and transform the complexities pertaining to equity into practical terms, and into methods that can be employed effectively in policy analysis.

As previously noted, I think it is reasonable to criticize policy analysis for usually defining its objectives, constraints, and costs too narrowly; once again, proceeding from reasons of analytic convenience rather than policy relevance. To put the point more formally, policy analysis tends to define costs and benefits in terms of one or two dimensions, rather than the multiple dimensions that are really relevant for the policies being analyzed. For example, if alternative health insurance policies are being evaluated, the analysis clearly has to be concerned with their costs and with their expected effects on health status. But, in addition, a more complete analysis should address the probable impacts of the alternative policies on the health delivery system, on the behavior of physicians, and on the quality of care received by different social or income or ethnic groups in society. In other words, a wider view of costs and consequences is desirable than one typically encounters in policy studies.

While granting and deploring these shortcomings of policy analysis as it is usually practiced, I suggest that improvements are not likely to be found in exhortation about the importance of values and ethics, or high-sounding pleas for devoting more attention to ethics. If discussion about the ethical dimensions of policy analysis is to

progress from the fog of obscurantist rhetoric that has often surrounded it, that progress will be made by finding ways to bring broader values explicitly into the objective functions of policy studies, or to establish these values as constraints on the policy alternatives themselves.

How can equity considerations be introduced into policy studies, and what specific denotation of equity among the alternatives cited earlier should be used in accomplishing this aim? How different will the evaluation of alternatives be, depending on which meaning of "equity" or "justice" is used in the evaluation? And what methods can be employed to introduce still broader considerations relating to aesthetics, honor, dignity, human brotherhood, and so on?

I am not at all sure that this, or even most of it, can be done. Much of it may be genuinely beyond us. But if it is not beyond us, I am quite sure that we will need a lot of ingenuity and inventiveness for these broader normative considerations to be successfully introduced into the performance of better policy analysis. And if the task is beyond what we can accomplish by ingenuity and inventiveness, then I think we must look instead for wisdom, sensitivity, and good judgment--attributes one would like to hope that policy analysts, and the university faculties who train them, possess or can acquire in some measure. Yet I would not want to rely as a matter of social policy on their acquisition and possession of these attributes in adequate measure. Nor do I think that we know the best means for imparting these attributes, or nurturing the often modest natural endowments of them that one finds among students of policy analysts.

One approach, currently much in vogue, is through using so-called "decision-forcing" cases in policy analysis curricula. These cases typically confront the student with a moral dilemma: for example, to withhold the truth, or risk jeopardizing an important social program; to inflate a program's budget so as to provide a cushion against a budget cut, or to estimate costs accurately, and expose the program to a cut; etc. Wrestling with the dilemma may heighten moral sensitivity and develop ethical awareness. Or it may not do so.

Another approach is to expose students to the "great books": the moral philosophers, or the great thinkers and practitioners of policy analysis. Exposure to their writings and thought may incite and enhance the judgment and wisdom of the students by grounding them in a tradition which manifests these qualities. Herbert Goldhamer's The Adviser is perhaps the most notable exemplar of this approach.*

Still another approach is to sharpen the ethical sensibilities of students by giving them practice in applying differing criteria and differing objective functions in the formal evaluation of program alternatives. If the choice among policy options can be shown to be sensitive to the choice among criteria and objectives, perhaps the analyst's judgment and sensitivity and wisdom will be enhanced by the learning experience.

As I've said, I don't think we really know the best means of inculcating these crucial attributes.

* Herbert Goldhamer, The Adviser, Elsevier-North Holland, Inc., 1978.

III. COMPATIBILITY OF ETHICS AND ANALYSIS: THE MORALITY OF ECONOMICS, AND THE ECONOMICS OF MORALITY

Because we cannot be confident of our ability to acquire or to impart "wisdom," I think we must devote more attention to what I alluded to earlier as a way of relating ethics to policy analysis: namely, a systematic and inventive effort to widen the scope of costs and benefits that are included in the objectives and constraints of actual policy studies. The aim of this widened range is to include in a tangible and accountable way the sorts of moral or ethical considerations whose absence in policy studies is frequently deplored by ethicists and philosophers.*

This way of formulating the issue is entirely compatible with the formal framework of policy analysis, including cost-benefit analysis, economic analysis, and the other similar components of the larger field; not only compatible but, in my judgment, perhaps the only effective way of enhancing the "moral" content of policy analysis that is so strongly advocated elsewhere in this volume.

In asserting the fundamental compatibility between cost-benefit analysis on the one hand, and ethical and moral considerations on the other, I disagree with Derek Bok, Daniel Callahan and others who have repeatedly stressed their incompatibility.**

* Duncan Macrae's efforts to move in this direction provide an example of what I endorse. Although I have some quarrels with the particulars, I strongly endorse his efforts to integrate into policy analysis such normative stances as those relating to "the cost of stigma," vertical equity, the valuation of present vs. future life, etc. His work along these lines seems to me a move in the right direction. See Duncan Macrae, "Valuative Problems of Public Policy Analysis," 1979.

** See Dr. Bok's October 1976 article in Change, "Can Ethics Be Taught?", Vol. 8, No. 9, pp. 26-30, and Daniel Callahan, Ethics and Policy Analysis, 1979.

I was recently exposed to a somewhat exaggerated form of the incompatibility argument when a faculty member of one of the public policy programs invited me to give a talk on "The Immorality of Economic Analysis." Although the title he proposed was perhaps intentionally hyperbolic, it suggests a frame of reference very similar to that I have associated with President Bok: that is, economic analysis--attempting to calculate coolly (would heated calculations be preferable?) the precise costs and benefits associated with public policies and programs--is "immoral" because it ignores "higher" human values.

My own judgment leads in a quite different direction. In principle, any "value," whether pecuniary or non-pecuniary, can be included in the maximand, or as a constraint on what is to be maximized. This can be done within the framework of economic analysis and cost-benefit analysis, provided we have the ingenuity and inventiveness to specify the relative importance of any such value in comparison with other values, as well.

Indeed, I would suggest that it makes far better sense to talk about the "economics of morality" than about the "immorality of economics!"* It's worth recalling that the standard title of economic treatises by the "classical" economists of the nineteenth century was "the theory of value." Of course, "value" was intended to mean "price": the "theory of value" dealt with the theory of price determination.

* Barbara Tuchman provides a revealing glimpse of the economics of 14th century morality in her description of the "all-absorbing" controversy surrounding the Beatific Vision: whether the souls of the blessed saw the face of God immediately upon entering Heaven, or whether they had to wait until the Day of Judgment. "The question was of real concern because the intercession of the saints on behalf of man was effective only if they had been admitted into the presence of God. Shrines possessing saints' relics relied for revenue on popular confidence that a particular saint was in a position to make a personal appeal to the Almighty." In effect, the economic impact of the issue determined its moral (religious) importance. Barbara Tuchman, A Distant Mirror, 1978, pp. 45-46.

In more modern terminology, "price theory" is the core of micro-economic theory and economic analysis, including within it cost-benefit analysis. Microeconomic theory is fundamentally concerned with the determination and attribution of prices (i.e., "values") to goods and services: equilibrium prices, shadow prices, monopoly prices, and so on. Essentially, the analysis of price determination is concerned with analyzing the forces and factors that determine the "value" of any good or service in terms of another good or service. The use of one "good," i.e., money, as the numeraire in price theory readily permits the expression of most goods and services in terms of any other goods and services simply by means of their relative money prices.

Now I think it is fair to say that the position taken by President Bok and Daniel Callahan, as well as other professional philosophers concerned with ethics, tends to flout the relevance of price theory to ethics; hence, the caption "the immorality of economics" referred to earlier. In contrast, I want to argue that there is a fundamental sense in which the notions, concepts, and framework embodied in price theory are likely to be central if we are to deal with ethical and moral issues in a usable and practical way in policy analysis.

I take as an initial premise that ethics is concerned with morality and moral values: individualism, freedom, truth, justice, love, beauty, generosity, humaneness, and tolerance. At a different level of aggregation, ethics is concerned with the values represented by the family, the neighborhood, future generations, and the environment. The issue for policy analysis is how to give recognition and attention to these values in formulating and evaluating alternative policies and programs

in such fields as energy, health, education, defense, social welfare, and the like. And how to provide recognition of these values in the implementation and management of public programs.

A second premise that I would advance is that sometimes these "values" or ("goods") conflict with one another. If more of one value is to be sought and attained, it will likely be at some cost in terms of another value. Greater scope for freedom and individualism may result in outcomes that are inequitable or unjust. Generosity and humanness may sometimes require a withholding of complete truth. Protecting and benefiting the family today may be at the expense of future generations. Preserving the environment for future generations may inflict costs and deprivations on living conditions for today's generation.

In the language of economics, or cost-benefit analysis, or policy analysis, there are "tradeoffs" among social values and social goods just as there are tradeoffs among private goods and values. These tradeoffs can alternatively be expressed as "opportunity costs": the cost of one social or ethical value is the forgone opportunity to acquire more of a conflicting ethical or moral value. The opportunity cost of achieving more of one ethical "value" is the "price" of that increment.

Hence, I suggest that the tools and concepts of economic price theory (for example, demand functions, supply and production functions, possibility frontiers, substitution possibilities, elasticities, etc.), are potentially useful and applicable to the analysis of ethical issues in connection with public policy. Opportunity costs are no less a characteristic of social and ethical values, or of morals, than they are